

Message Text

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ACTION AID-31

INFO OCT-01 NEA-14 ISO-00 SSO-00 H-03 EB-11 IGA-02 DRC-01

RSC-01 SS-20 SP-03 L-03 /090 W
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FM AMEMBASSY AMMAN

TO SECSTATE WASHDC IMMEDIATE 2067

S E C R E T AMMAN 4462

E.O. 11652: GDS

TAGS: EAID, JO

SUBJ: FY-75 BUDGET SUPPORT

DEPARTMENT FOR AID

1. WE HAVE REVIEWED BUDGET SUPPORT REQUIREMENT AND SCHEDULING OF DEPOSITS WITH PRIME MINISTER AS WELL AS DIRECTOR GOJ BUDGET BUREAU. SINCE PM WILL BE RAISING THIS SUBJECT IN WASHINGTON, IT IS TIMELY TO REVIEW SITUATION WITH DEPARTMENT AND AID/W.

2. PM HAS PROVIDED US WITH SCHEDULE WHICH GOJ REQUESTS BE FOLLOWED IN MAKING BUDGET SUPPORT DEPOSITS FROM U.S. FY-75 FUNDS. THE TOTAL OF DEPOSITS IN SCHEDULE IS \$87.5 MILLION. THE PM ARRIVED AT THIS FIGURE BY ADDING THE \$77.5 MILLION CONTAINED IN CONGRESSIONAL PRESENTATION TO THE \$10 MILLION DEPOSIT WHICH THEY HAD HOPED TO GET IN MAY OR JUNE. THIS WAS DONE ON BASIS OF THE DEPARTMENT'S STATEMENT THAT U.S. WOULD ATTEMPT TO PROVIDE THIS \$10 MILLION IN ADDITION TO FY75 AVAILABILITIES. SCHEDULE PROVIDED BY PM SUGGESTS DEPOSITS AS FOLLOWS:

JULY	\$10 MILLION
AUGUST	\$20 MILLION
SEPTEMBER	\$10 MILLION
NOVEMBER	\$20 MILLION
JANUARY	\$12.5 MILLION
MARCH	\$15 MILLION

3. PM'S REQUEST RAISES THE FOLLOWING ISSUES:

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A. FIRST IS WHETHER IT IS POSSIBLE TO ESTABLISH AND HOLD

TO AN AGREED SCHEDULE FOR DEPOSITS IN FY-75. WE BELIEVE IT WOULD BE VERY DESIRABLE TO DO SO. THIS WOULD MAKE IT POSSIBLE TO MINIMIZE UNCERTAINTIES AND FRICTIONS WHICH HAVE OCCASIONALLY BEEN ASSOCIATED WITH BUDGET SUPPORT PAYMENTS IN THE PAST. OUR RECOMMENDATION, THEREFORE, IS THAT WE NEGOTIATE SCHEDULE WITH GOJ AND TAKE THE NECESSARY ACTIONS IN AID/W TO AUTHORIZE THE NECESSARY FUNDS SO THAT DEPOSITS CAN BE MADE IN ACCORDANCE WITH IT.

B. IT GOES WITHOUT SAYING THAT PM WILL PRESS FOR ENTIRE \$87.5 MILLION. HOWEVER, HE UNDERSTANDS FROM AMBASSADOR THAT WE WILL NOT BE ABLE TO COMMIT FULL AMOUNT UNTIL CONGRESSIONAL ACTION ON AID APPROPRIATIONS IS COMPLETE AND THAT CUTS ARE NOT TO RULED OUT. THEREFORE, HE WILL BE WILLING, WE ASSUME, TO AGREE TO SCHEDULE NOW WHATEVER AMOUNT WASHINGTON CONSIDERS TO BE SAFE FROM THE POINT OF VIEW OF CONGRESSIONAL APPROPRIATIONS. THE BALANCE OF THE \$87.5 MILLION COULD BE SCHEDULED BUT SUBJECT TO REVIEW IN LIGHT OF ACTUAL APPROPRIATIONS. (FYI: BUDGET DIRECTOR INDICATED THAT IF ONLY \$60 MILLION WAS CONSIDERED FIRM, HE WOULD REQUEST THAT THIS AMOUNT BE DEPOSITED BEFORE DECEMBER 31.) OBVIOUSLY, WE ARE NOT IN POSITION TO JUDGE THE AMOUNT WHICH CAN BE PROGRAMMED PENDING COMPLETION OF CONGRESSIONAL ACTION. OUR RECOMMENDATION WOULD BE THAT AID/W ESTABLISH THIS FIGURE AND THAT A SCHEDULE BE WORKED OUT NOW COVERING IT SO THAT THERE IS MINIMUM OF UNCERTAINTY REGARDING USG INTENTIONS.

C. WE HAVE POINTED OUT TO PM AND BUDGET DIRECTOR THAT CONGRESSIONAL PRESENTATION DOCUMENT PROVIDES THAT \$10 MILLION OF THE \$77.5 MILLION REQUESTED FOR FY-75 BE MADE AVAILABLE ON THE BASIS OF LOANS FOR DEVELOPMENT PROJECTS. THUS FAR WE HAVE FOUND IT VERY DIFFICULT TO CONVINCE PM AND BUDGET DIRECTOR THAT THIS IS U.S. FIRM INTENTION. SINCE SOURCE OF JORDAN'S ECONOMIC AID IS SUPPORTING ASSISTANCE APPROPRIATION, THEY REALIZE THAT USG CAN CHOOSE TO MAKE FUNDS AVAILABLE ON EITHER GRANT OR LOAN BASIS. CONSEQUENTLY, PM WILL DOUBTLESS CONTINUE TO PRESS FOR FULL SA AMOUNT ON A CASH GRANT BASIS AND URGE THAT ADDITIONAL FUNCTIONAL APPROPRIATION FUNDS BE MADE AVAILABLE FOR THE LOAN PROJECTS. WE WOULD HOPE THAT WE COULD HOLD TO THE CONGRESSIONAL PRESENTATION APPROACH AND USE \$10 MILLION IN SA FOR DEVELOPMENT LOAN PROJECTS. THAT IS OUR RECOMMENDATION. HOWEVER, WE RECOGNIZE OUR ABILITY TO DO SO WILL DEPEND ON TOTAL FUND AVAILABILITIES AND THE POLITICAL

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CONSIDERATIONS SURROUNDING NEAR EAST NEGOTIATIONS.

D. WE HAVE DISCUSSED WITH GOJ U.S. DESIRE AND INTENTION TO SHIFT OVER TIME FROM BUDGET SUPPORT CASH GRANTS TO DEVELOPMENTAL AID. PM UNDERSTANDS THIS IN THEORETICAL SENSE. HOWEVER, HE IS SO PREOCCUPIED WITH JUGGLING SHORT TERM PRESSURES THAT IT IS DIFFICULT TO GET HIM BEYOND THE CONCEPTUAL STAGE. WE HAVE DISCUSSED WITH BUDGET DIRECTOR POSSIBILITY OF MIDDLE GROUND BETWEEN OVERALL CASH GRANT BUDGET SUPPORT AND TRADITIONAL

DEVELOPMENT PROJECTS, E.G., SOME FORM OF GRANT OR LOAN IN SUPPORT OF CERTAIN FUNCTIONS, ACTIVITIES OR PROJECTS THAT NORMALLY WOULD BE INCLUDED IN BUDGET. THIS POSSIBILITY HAS SOME APPEAL TO BUDGET DIRECTOR AND PROCESS COULD BE STARTED ALMOST IMMEDIATELY IF IN THE EARLY STAGES WE WERE PREPARED TO ACCEPT SIMPLY ATTRIBUTION OF U.S. FUNDS TO DEVELOPMENT PLAN PROJECTS RATHER THAN ACTUAL INCREASE OF BUDGET ACTIVITIES. THIS APPROACH WOULD ALSO BRING US CLOSER TO THEIR BUDGETARY PROCESS, THUS IMPROVING OUR JUDGMENTS OF GOJ BUDGET AND DEVELOPMENT REQUIREMENTS.

E. GIVEN GOJ TENDENCY TO ASSOCIATE SA SOLELY WITH BUDGET SUPPORT, WE FURTHER SUGGEST FOR THE FUTURE SEPARATING THE DEVELOPMENTAL ASPECTS OF OUR PROGRAM FROM SA FUNDING AND CONSIDER THEM FOR DL OR TA FINANCING. THIS SHOULD MAKE IT EASIER FOR US TO PROTECT THE DEVELOPMENTAL PORTION OF OUR EFFORTS HERE. WE ARE RECOMMENDING THIS IN CONNECTION WITH OUR FY-76 BUDGET SUBMISSION.

4. AMBASSADOR WILL BE IN WASHINGTON WEEK OF AUGUST 4 AND WILL WANT TO DISCUSS ABOVE WITH DEPARTMENT AND AID.

5. PRIME MINISTER WILL WANT TO DISCUSS QUESTION OF SCHEDULE OF PAYMENTS WITH SECRETARY AND WE RECOMMEND SECRETARY BE PREPARED WITH A POSITION BY AID AND DEPT IN ORDER TO RESPOND. PRIME MINISTER IS SOMEWHAT FLEXIBLE ABOUT SCHEDULE FOR AUGUST PAYMENTS AS PROPOSED PARA 2, BUT CLEAR DESIRE IS FOR MAXIMUM AMOUNT BEFORE CLOSE OF YEAR.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BUDGETS, FOREIGN ASSISTANCE, POLITICAL SITUATION, MINISTERIAL VISITS
Control Number: n/a
Copy: SINGLE
Draft Date: 31 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974AMMAN04462
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740208-0340
From: AMMAN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974074/aaaaadaw.tel
Line Count: 144
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AID
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 20 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 AUG 2002 by boyleja>; APPROVED <24 FEB 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FY-75 BUDGET SUPPORT DEPARTMENT FOR AID
TAGS: EAID, JO, (RIFAI)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005